

# OFFICE OF AUDITS & ADVISORY SERVICES



## **FIRESTORM 2007 NON-DEBRIS REMOVAL EXPENDITURES SUBMITTED FOR FEMA/CALEMA REIMBURSEMENT VALIDATION AUDIT – DEPARTMENT OF PUBLIC WORKS**

### ***FINAL AUDIT REPORT***

Chief of Audits: [James L. Pelletier, CIA, CICA](#)  
Senior Audit Manager: [Tom Philipp, CIA, CCSA](#)  
Auditor I: [Angela Chen, CPA](#)

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# COUNTY OF SAN DIEGO

## INTER-DEPARTMENTAL CORRESPONDENCE

May 26, 2010

TO: John L. Snyder, Director  
Department of Public Works

FROM: James L. Pelletier  
Chief of Audits

**FINAL REPORT: FIRESTORM 2007 NON-DEBRIS REMOVAL EXPENDITURES SUBMITTED FOR FEMA/CalEMA REIMBURSEMENT VALIDATION AUDIT – DEPARTMENT OF PUBLIC WORKS**

Enclosed is our report on the Firestorm 2007 Non-Debris Removal Expenditures Submitted for FEMA/CalEMA Reimbursement Validation Audit – Department of Public Works. We have reviewed your responses to our recommendations and have attached them to the audit report.

The actions taken, in general, are responsive to the recommendations in the report.

If you have any questions, please contact me at (858) 495-5661.

JAMES L. PELLETIER  
Chief of Audits

AUD:AQC:aps

Enclosure

c: Chandra L. Wallar, Deputy Chief Administrative Officer, Land Use & Environment Group  
Donald F. Steuer, Chief Financial Officer  
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller  
Kathleen A. Flannery, Group Finance Director, Land Use & Environment Group

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## INTRODUCTION

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### **Audit Objective**

The Office of Audits & Advisory Services (OAAS) completed an audit of the Firestorm 2007 related expenditures claimed by the Department of Public Works (DPW) for reimbursement. The objective of the audit was to provide reasonable assurance that adequate supporting documentation was maintained by the Department in a manner that reviewers could easily follow to prevent any material disallowance. The audit was requested by the Chief Financial Officer.

### **Background**

Seven wildfires that started on October 21, 2007 caused extensive damage throughout the County of San Diego. Various County departments immediately mobilized employees to assist in multiple disaster-related activities. The Director, County Office of Emergency Services led the overall operational efforts, while the Group Finance Director, Public Safety Group led the finance team. The Firestorm 2007's official incident period declared by the Federal Emergency Management Agency (FEMA) began on October 21, 2007 and ended on March 31, 2008. Applicable County departments subsequently submitted Project Worksheets (PWs) to FEMA and/or Damage Survey Reports (DSRs) to the California Emergency Management Agency (CalEMA) to claim the eligible expenditures for reimbursement.

DPW submitted 24 non-debris removal projects, amounting to \$2,588,703 of costs incurred for labor, equipment usage, purchased equipment, material, rental, services, and Quality First resulting from the October 2007 wildfires. The FEMA and CalEMA project officers assigned DPW2, DPW4, DPW25-28, DPW30, DPW34, DPW36A&B, DPW76A, DPW166, DSR1823-1824, DSR1826-1827, DSR1829-1833, DSR1837, DSR1846, ALL150, and ALL150A as the claimed tracking numbers.

### **Audit Scope & Limitations**

OAAS' review was based on the information on PWs and DSRs submitted by the department. The eligibility determinations were made by the FEMA/CalEMA project officers assigned to the department, not by OAAS.

This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.

### **Methodology**

OAAS reviewed the supporting documentation for DPW non-debris removal costs submitted to FEMA and the State for reimbursement by:

- Testing a sample of at least one project per each DPW PW applicant and DSR local representative;
- Verifying that all supporting documentation was organized, titled, and cross-referenced with the line items listed on each PW and DSR;

- Verifying that the types of expenses incurred in the PW and DSR are in accordance with the Damage Description and Scope of Work (SOW);
- Comparing the amount reported on the PW and DSR to the amounts provided in supporting documentation to ensure that the total amounts reconciled and that required documentation was provided;
- Recalculating the total amount claimed to ensure that the amount calculated from the supporting documentation agreed with the total amount listed on the PW and DSR;
- Reviewing payroll records to ensure that the overtime (OT) labor hours incurred and rates applied were reconciled with those claimed on the PW and DSR, and to determine if labor and related fringe benefits were correctly calculated and properly supported; and
- Verifying material, mileage, equipment, contract, and rental expenses incurred are adequately supported by complete and accurate documentation.

## AUDIT RESULTS

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### Summary

Due to the number of PWs and DSRs submitted by DPW (13 and 11 respectively), OAAS limited the audit to a sample project of each local applicant. This sample covered eight projects that represented 57% of the total claimed amount. Based on the number and types of findings (summarized below) as well as the documentation inconsistencies among the various projects, as of the end of our fieldwork (December 7, 2009), OAAS was unable to clear any DPW claims.

### Finding I:

#### **Claimed Cost Was Not Incurred**

DPW claimed an estimated cost of \$1,717 in DPW4 for replacement of seeded hydro-mulch. However, the work was not performed, as vegetation grew back by itself after the fire. According to FEMA guidance, only actual costs are reimbursable. Therefore, the hydro-mulch cost of \$1,717 is not reimbursable to DPW.

### Recommendation:

The department should document in the DPW4 binder that estimated work was not needed and corresponding costs were not incurred and take appropriate steps to withdraw the claim.

### Finding II:

#### **Incorrect Claim of County Owned Equipment Cost**

The following issues were identified upon inspection of supporting documentation of County owned equipment costs:

- Claim was based on an estimate: DPW claimed County owned equipment cost of \$58,770 in DPW27. The claim was based on

an average cost of \$15 per equipment hour and the number of hours used across all the equipment. Per FEMA guidance, an estimate is not acceptable for reimbursement purpose. Specifically, for applicant owned equipment, FEMA provides a schedule of equipment rates based on the equipment capacities and specification. However, DPW did not perform a follow-up calculation by applying allowable rates per the FEMA schedule.

- Source equipment log was not in agreement with FEMA Force Account Equipment Summary Record: DPW claimed County owned equipment cost of \$60,961 in DSR1837. The FEMA Force Account Equipment Summary Record was attached to support the claim with details of the equipment, operator's name, date, hours worked, and hourly rates applied. However, based on our review of supporting equipment log records, it was noted that the equipment log records did not reconcile with the FEMA Force Account Equipment Summary Record.
- Lack of internal source documentation to support the claim: Out of total claimed equipment cost of \$5,022 in DPW36A, \$2,765 related to a County Whisper Watt 70/125 HP Generator could not be validated due to a lack of internal source documentation.
- Incorrect equipment rates and equipment hours: While the FEMA schedule was utilized in DPW166 to calculate claimed equipment cost, OAAS found ten instances where incorrect equipment rates were used and one instance where incorrect hours were inputted.

**Recommendation:**

The department should code the equipment items based on the capacities and specifications defined in the FEMA schedule and apply the corresponding rates to derive reimbursable equipment costs. Further, the department should ensure that the claimed equipment items and usage hours are fully supported by internal source documentation.

**Finding III:**

**Labor Hours Were Not Reconciled With the Supporting Documentation**

The following issues pertaining to labor hours were identified by reconciling the claimed hours with Kronos records:

- Labor hours were not classified as FEMA projects in Kronos consistently: While some employees charged their time to FEMA projects, others did not. This inconsistency was found in DPW36A, DPW36B and DSR1837. More specifically, four out of six sampled employees' regular time labor in DPW36B, two out of the three employees' OT labor in DPW36A, and 24 out of 27 sampled employees' OT labor in DSR1837 were charged to non-FEMA projects. The incorrect classification of labor in Kronos does not meet the FEMA requirement.

- OT Labor hours were not supported by Kronos records: Out of 27 employees sampled from DSR1837, three employees' claimed OT on Saturday, January 5, 2008 (12 hours each). In Kronos, however, a schedule change was made that resulted in Saturday hours being classified as night shift regular time and OT hours input on following Wednesday and Thursday. As a result, a total of 36 hours claimed on Saturday were not supported as OT by Kronos records while the OT hours worked on Wednesday and Thursday were not claimed.

Per FEMA guidance, labor must be properly classified and supported in the timekeeping system of record.

**Recommendation:**

The department should ensure that the claimed labor hours are properly recorded, classified, and reconciled with Kronos.

**Finding IV:**

**Incorrect Rates Used to Calculate OT Labor Costs**

The following discrepancies were found in the use of OT rates and OT fringe benefit rates:

- Incorrect OT rates were used: Incorrect OT rates were used in DPW27 and DPW36A. Out of nine employees sampled from DPW27, four employees' OT rates were incorrect due to recent changes in hourly rates (step-ups). Three employees' old rates were used instead of actual stepped-up hourly rates and one employee's stepped-up rate was used before its effective date. Out of the three employees claimed in DPW36A, one employee's OT was claimed at premium rate (one and a half times standard rate), but was actually paid at standard rate. While the aggregated incorrect amount may not be significant compared to the overall labor claim, the instances of incorrect rates do not comply with FEMA's guidance for use of actual OT wage rates.
- Incorrect OT fringe benefit rate was used: OT fringe benefit rates were not applied consistently in DSR1837. Out of a sample of 27, eight employees' fringe benefits were claimed at an incorrect rate of 8.54% instead of the allowable rate of 10.55%.

**Recommendation:**

The department should use the actual OT hourly rate and allowable fringe benefit rate to calculate OT labor costs.

**Finding V:**

**Allocation of Lump Sum Contractors' Costs Could Not Be Determined**

During the review of DPW26, it was noted that the contractors' lump sum invoices in the DPW26 binder were also related to two other projects (DPW25 and DSR1833). While DPW prepared invoice allocations in three expense categories (consulting, service and materials), the invoice expenses were either not allocated by project or not allocated across the three projects consistently. As a result, there was no clear correlation on how actual costs were allocated by project.



**Recommendation:** The department should ensure that the lump sum costs are allocated by project consistently. Further, the department should ensure that the three projects' overall claim does not exceed the invoice total for each expense category.

**Finding VI:** **Adjustment Was Not Made Following CalEMA Denial**  
DPW incurred total labor, material, and equipment costs of \$861,757 in DPW27; protective measures for rain expected from October 27, 2007 to January 19, 2008. However, notes from a previous CalEMA's assessment indicated that all the costs starting January 2008 should have been backed out of DPW27 and included in another project. This action had not been taken and the total labor, material, and equipment costs outside the eligible timeframe had not been identified.

**Recommendation:** The department should review DPW27, and other projects involving CalEMA's denials to identify ineligible costs and back them out from the original claims. Additionally, the department should ensure that eligible amounts that can be claimed elsewhere are documented in corresponding projects according to CalEMA's guidance.

**Finding VII:** **Costs of Materials Could Not Be Validated**  
DPW claimed total costs of materials of \$440,043 in DPW27 that could not be validated, including: purchases of sand bags, fiber rolls, stakes, and grass seeds. The claimed amount associated with these materials was based on the contractors' invoice total, not on the usage total. Upon request, a material log was provided. However, the log was not reconciled with the claim to show the quantity of material ordered vs. used and actual amount reimbursable vs. paid. Per FEMA's guidance, final material payments are based on documentation that includes usage records, invoices, and receipts. The FEMA notes in DPW27 specified that the material log needs to be reconciled against totals in the claim.

**Recommendation:** The department should ensure that material logs are available and contain complete details of purchasing and distribution information. Further, the material logs should be reconciled to the claim to ensure only amounts used are claimed.

**Observation I:** **Methodology for Calculating Purchased Equipment Cost**  
DPW incurred purchased equipment cost totaling \$59,429 for two sandbag machines and two tipper ties. These expenses include equipment costs, freight charges, sales/use taxes, and P&C surcharges. Due to a lack of historical information on the life span of the purchased equipment, the department claimed \$22,891 under the direction of the FEMA representative. The claimed amount was based on a double declining depreciation method over an estimated 6-year life span of the equipment, which appeared to be a reasonable estimate. However, OAAS noted that a gap may exist between the FEMA guidance and the alternative methodology used by the department. The FEMA guidance specifies that purchased equipment

items should go through a fair market value (salvage value) evaluation process when they are no longer needed for disaster operations, regardless of when actual disposition takes place. Final reimbursable costs are specified as the result of purchase costs incurred less the fair market value.

## COMMENDATION

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The Office of Audits & Advisory Services commends and sincerely appreciates the courteousness and cooperation extended by the officers and staff of the Department of Public Works throughout this audit.

Office of Audits & Advisory Services

C Compliance R Reliability E Effectiveness A Accountability T Transparency E Efficiency

VALUE

## **DEPARTMENT'S RESPONSE**



## County of San Diego

### DEPARTMENT OF PUBLIC WORKS

JOHN L. SNYDER  
DIRECTOR

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May 17, 2010

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OFFICE OF AUDITS &  
ADVISORY SERVICES

TO: James L. Pelletier, Chief of Audits  
Auditor and Controller (O-305)

FROM: John L. Snyder, Director  
Department of Public Works (O-332)

#### FIRESTORM 2007 NON-DEBRIS REMOVAL EXPENDITURES SUBMITTED FOR FEMA/CALEMA REIMBURSEMENT VALIDATION AUDIT

We have reviewed the Final Draft Audit Report for Department of Public Works (DPW) Firestorm 2007 Non-Debris Removal Expenditures and the following is our department responses addressing the individual audit findings and recommendations. The final County claim for the 2007 firestorm with FEMA and CalEMA has not yet been closed out. The audit was requested by the Chief Financial Officer in order to facilitate reimbursement to Road Fund of expenditures that fund incurred. Although the audit was a random sampling of seven out of 24 PWs, DPW staff has reviewed all PWs to ensure compliance with all audit recommendations. Completed documentation is available for review in support of responses.

#### Finding I: Claimed Cost was not incurred

##### OAAS

**Recommendation:** The department should document in the DPW4 binder that estimated work was not needed and corresponding costs were not incurred and take appropriate actions to withdraw the claim.

**Action Plan:** DPW concurs. As documented in the Project records, the planned hydro-mulch was subsequently determined as not being needed due to vegetation reestablishing on its own. It was DPW's understanding that withdrawal of an individual item such as the one referenced in this finding, would be done concurrent with any other County adjustments upon closeout and reconciliation of all of County's Firestorm 2007 reimbursement claims. Final closeout of these particular projects is anticipated to occur within the next two to three months and DPW will withdraw the claim as part of that process.

#### Finding II: Incorrect Claim of County Owned Equipment Cost

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**OAAS**

**Recommendation:** The department should code the equipment based on the capacities and specifications defined in the FEMA schedule and apply the corresponding rates to derive reimbursable equipment costs. Further, the department should ensure that the claimed equipment items and usage hours are fully supported by internal source documentation.

**Action Plan:** DPW concurs. Equipment usage has been recalculated based on FEMA rates. The FEMA Force Account Equipment Summary Record has been reconciled with the supporting equipment log data. In DPW36A, the supporting invoice that was not available at the time of the OAAS audit for the Whisper Watt generator has been placed in the project binder. As a result the claim total increased by \$30.54.

**Finding III: Labor Hours Were Not Reconciled With the Supporting Documentation**

**OAAS**

**Recommendation:** The department should ensure that the claimed labor hours are properly recorded, classified, and reconciled with Kronos.

**Action Plan:** DPW concurs. Where it was determined that staff hours were not accurately charged in Kronos, a certified report from the Project Manager confirming appropriate staff time related to the emergency was included in the project binder. For future emergencies, staff will be provided with a laminated list of projects to help assure charges are correctly recorded. The claimed overtime has been corrected to reflect actual overtime hours. As a result the claim total increased by \$872.13.

**Finding IV: Incorrect Rates Used to Calculate OT Labor Costs**

**OAAS**

**Recommendation:** The department should use the actual OT hourly rate and allowable fringe benefit rate to calculate OT labor costs.

**Action Plan:** DPW concurs. OT claims were increased to reflect actual OT paid where recent step increases had not been included, and claims were adjusted to reflect actual hourly rates paid. Fringe benefit rates were increased to reflect the allowable fringe benefit rate. As a result the claim total increased by \$1,862.85.

**Finding V: Allocation of Lump Sum Contractors' Costs Could Not Be Determined**

**OAAS**

**Recommendation:** The department should ensure that the lump sum costs are allocated by project consistently. Further, the department should ensure that the three projects' overall claim does not exceed the invoice total for each expense category.

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**Action Plan:** DPW concurs. Where a contractor's costs and materials purchased were applied to multiple project sites, costs were checked for proper allocation to each project and total costs claimed were reconciled with the total amount of invoices paid.

**Finding VI: Adjustment Was Not Made Following CalEMA Denial**

**OAAS**

**Recommendation:** The department should review DPW27, and other projects involving CalEMA's denials to identify ineligible costs and back them out from the original claims. Additionally, the department should ensure that eligible amounts that can be claimed elsewhere are documented in corresponding projects according to CalEMA's guidance.

**Action Plan:** DPW concurs. For DPW 27, the \$70,634 cost incurred from January 2008 that was denied by CalEMA was adjusted in the final claim to align with the final Project Worksheet as adjusted by CalEMA.

**Finding VII: Costs of Materials Could Not Be Validated**

**OAAS**

**Recommendation:** The department should ensure that material logs are available and contain complete details of purchasing and distribution information. Further, the material logs should be reconciled to the claim to ensure only amounts used are claimed.

**Action Plan:** For DPW 27, the original claim was based on actual material purchased and issued to homeowners for erosion protection of private property. Materials were ordered from vendors, delivered to various distribution sites, delivered quantities validated against vendor invoices, and all materials were issued and therefore included in the claim. DPW staff closely supervised issuance of all sand bags, sand, fiber rolls, stakes and grass seeds, but a detailed inventory report for each issuance was not practical due to the tempo of operations at the multiple erosion material distribution locations, as hundreds of homeowners prepared for imminent post-fire storm events. There is no change to the total claim amount as a result of this review.

**Observation I: Methodology for Calculating Purchased Equipment Cost**

The audit also included an observation that FEMA guidance on methodology for equipment costs differed from the methodology that the FEMA representative directed staff to use. As the audit states, due to a lack of historical information on the life span of the purchased equipment, the department claimed \$22,891 using the methodology directed by the FEMA representative. The claimed amount was based on a double declining depreciation method over an estimated 6-year life span of the equipment, which appeared to be a reasonable estimate. This method as


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directed by FEMA's representative has not been changed, and should stand as a reasonable estimate.

Planned Implementation Date: The recommendations have all been implemented.

If you have any questions, please contact Amparo Suter, DPW Financial Services at (858) 694-2124.

Sincerely,



JOHN L. SNYDER, Director  
Department of Public Works

cc: Donna Turbyfill – Department of Public Works  
Amparo Suter – Department of Public Works